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TRUSTS.

BY ALBERT STICKNEY.

“TRUSTS.” What are they? What are their evils?

A “trust,” as nearly as one can understand the current use of the term, is a large combination of capital in the hands of a corporation, or of a combination of corporations. The term is not applied to large combinations of capital in the hands of individuals, or of an ordinary partnership; but to those unusually large accumulations of millions, and hundreds of millions, in the hands of corporations.

What are the evils of these combinations?

It must be conceded that corporations do have their uses. A corporation is merely an artificial person, a device of the law, created for the sake of aggregating small amounts of capital for large enterprises, under a single ownership, and for securing continuity of control. They are an absolute necessity for the business world. Especially, they are a necessity for the small investor, for persons who cannot venture to expose large amounts of money to the risks of loss in single enterprises; for persons who find it incumbent on them to avoid having “all their eggs in one basket.”

Above all things, however, they are absolutely indispensable to the successful prosecution of the large undertakings of our vast modern industries. Individual fortunes do not provide capital in sufficiently large amounts.

Particularly is this the case in a new country, such as ours has been until very recently. The most useful institutions in our modern life are the corporations which have been formed for the prosecution of two most important public ends, education and transportation. Our public schools, our colleges and universities, cannot exist without the accumulation in single hands, under continuous control, of large amounts of money, large charitable

foundations; which make it possible to combine a large number of contributions from the charitably inclined, and invest them in libraries, laboratories, and funds for professorships, with all the other machineries of the modern educational world. So, too, with our machinery of transportation—our early plank-roads and our railroads. It was impossible to secure their construction, or their operation, without the use of corporations, which enabled the small investors to combine their individual contributions of capital. Thus only was it made possible to construct our railroads and other public highways, which are the arteries and veins for the transmission of our industrial blood, by which only are trade and commerce made possible. Furthermore, it would be an impossibility to carry on the large volumes of the transactions in our modern business world without the agencies of banks; which are the public highways for the transportation of money, and credit; carrying both where they are needed; diffusing both from the great financial centres to the industrial frontiers; and then, in turn, bringing back the manufactured products which constitute the results. It is easily seen, then, that corporations cannot be condemned by wholesale; that they are a vital necessity of our modern industrial existence.

What, then, are their evils?

Many thoughtful men, in recent years, have been appalled by the large figures of the capital which is concentrated in single hands, through the agency of separate corporations, or of several corporations which are "affiliated," as the phrase is, under a single control.

Is there a real substantial danger in this concentration?

Here, the first point that strikes our attention is that capital, in order to yield income, which is essential if it is to serve the mere moneyed interests of its owners, must of necessity be employed in some way that is beneficial to the community. It cannot be kept idle. Nor can it be applied to uses that are not beneficial, that will not "pay." Useless investments will not yield income. Money, in order to earn interest, must be used in industries that are beneficial. It must be used in "business"—that is, in the production of goods and merchandise that are in demand for the uses of the community; or in the transportation of such goods and merchandise from the producer to the user. There is no other way in which capital can be made to yield a profit to its owner.

Consequently, every capitalist is under compulsion, from the laws of industry and commerce, to invest his capital in ways which are useful to the community, and which give employment to the community's workers.

Moreover, the capitalist is, in the long run, compelled to invest his capital in ways that are approved by other men. Every large capitalist is under the necessity of investing his money through the agencies of the banks and the large corporations. If he invests through the banks, his money is loaned to business men for business enterprises. If he puts it into shares, or bonds, of some corporation, it goes directly into the business of that corporation. In any event, his capital must go into the veins and arteries of the business world, must form part of our industrial blood, if it is to yield income. So the practical result is, that the capitalist, under the immutable laws of industry and commerce, is under the supreme necessity of using his capital in the promotion of enterprises that are approved by the judgment of other men. Emerson somewhere says that men are seldom so wisely employed as when they are "making money." The reason is simple and plain; when they are "making money," they are giving employment to the honest and industrious working-men, and are contributing in the best possible way to the community's well-being. We hear much said of the capitalist's selfishness. Men must be selfish. If a man does not look out for himself, he will go down. Of course, the capitalist is selfish. He must invest in ways that will yield a profit to himself, if he is to serve successfully the interests of either himself or the community.

Then we come to another fact. The rates of compensation to the capitalist, for the use of his capital, are, in the long run, fixed by other men, and by causes quite beyond his own control. It is a widely prevalent idea that the capitalist controls the use of his own capital or, at least, the rate of the payment for its use.

But the fact is quite the reverse. If he puts his money into a bank to be loaned, he has to be content with the current rates of interest. If he invests it in a railroad corporation, or in a manufacturing or trading corporation, he has to be content, in the long run, with the average returns on similar investments. His investments may at times be extremely fortunate. At times, they will be unfortunate—unless, indeed, he is an unusually wise investor, in which case he is justly entitled to the fruits of his own

financial wisdom. And precisely in proportion to the wisdom of his investments will be the benefits to the community resulting from these investments. In short, he is at all times, in the end, subject to the laws of industry and commerce, and the returns on his capital are decided by those laws.

It may be thought that an exception to this statement is to be found in the case of the railroads; and that they have it in their power to fix the rates of traffic almost arbitrarily.

But the exception here is more seeming than real. Even the railroads are subject to the laws of commerce. They are, in their own way, all subject to competition; and none of them has an arbitrary control of the rates to be charged for transportation. This is the case quite independently of statutes, or control by the public authorities. Every railroad, if we carefully consider the facts, has a competitor in other railroads. Whatever may be its power over its own rates under the theory of the law, nevertheless, as a matter of fact, every railroad is compelled, in the long run, to give as favorable rates for both passengers and freight as other roads give. Otherwise, passengers and freight will go elsewhere. Attempts have been made through mergers and consolidations to escape the regulative influence of competition in reducing rates. But these attempts have always failed. The laws of commerce will assert their supremacy. Assume that railroad corporations will impose as high rates "as the traffic will bear." Nevertheless, the traffic on one road cannot long bear higher rates for the same service than are paid on other roads. If any one road insists on higher rates, it soon loses its traffic. Business men leave it; they seek other homes, for their business and themselves. They go where they get the most for their money. Then, too, after the railroads are once constructed, they soon find that the quickest and surest way to get an increase in income is to make a decrease in traffic charges. So it results that, although in theory the railroad may have the power to fix its own rates for traffic, nevertheless, in fact, it finds itself compelled, in time, to lower its charges, and reduce them to the lowest figures which will secure a reasonable return on the capital invested. More than that, the instances are numberless where millions on millions of capital have been sunk in railroad enterprises, which have never yielded a dollar of income to the investor. Meantime, not by force of any law other than the laws of industry, the quality of our railroad

service has had a steady and rapid increase; while, at the same time, traffic rates, for both freight and passengers, have had a steady and rapid decrease. Our railroad service, taken as a whole, is to-day superior to that of any other nation; and that fact is due, not to any statutes, or to governmental control, but to the natural legitimate operation of the laws of trade and commerce; and to our conditions of large industrial freedom.

What, then, are the evils which have resulted from these large modern accumulations of capital?

None whatever. That is, there have been no evils which can be correctly attributed to these large accumulations on the score of their mere magnitude. The only evils that have come, have come from the wrongful, illegal uses of capital in order to deprive other men of some of their legal rights. Wherever money has been used to corrupt public officials, that constitutes a violation of law. Where favoritism in rates has been shown to particular individuals or corporations, that has been a violation of law. It should be punished by enforcement of the law, at the hands of either public or private prosecutors. But, in these recent years, it has been found much more profitable for high public officials to rail at the "trusts" than to enforce the laws against the individuals who have made unlawful uses of trust funds. Violent declamation, against capital and corporations, is the ready resort of the demagogue. But an efficient enforcement of the laws, against individuals who make illegal uses of corporate moneys and corporate properties—that is a different matter. The evils, which have existed in the management of our great modern "trusts," so called, have consisted entirely in the unlawful uses that have been made of trust properties. In the trusts themselves—in the mere large accumulations of capital—there are no evils, or dangers, so long as the capital is put to lawful uses; so long as it is used for legitimate business purposes. Nor is there anything novel in our modern breaches of trust and violations of law. Such evils have existed ever since human beings held property. The forms of punishment for those breaches of trust are old and well known. What is needed, in order to put an end to such offences, is the speedy and rigid enforcement of existing laws.

The modern increase in the figures of capital invested in large enterprises has been necessary, and unavoidable. The large in-

crease in our control over the forces of nature has resulted in a large increase in the magnitude of our modern combinations of men and material, for the uses of our modern industries. No doubt, we have in later years witnessed what may accurately be termed a mania for magnitude. We have, no doubt, gone to extremes in this direction. But, in the main, these large modern industrial combinations have been a great benefit. They undoubtedly do result in large economies; and in a large increase of industrial energy. Waste of material, which will escape notice when it exists in small quantities, at once compels attention when it reaches larger proportions. That leads to the discovery of new processes; which result in what we term "by-products." Then, too, these large combinations of men, which we have in our modern industrial armies, make it more possible to have superior organization—a better selection of men for the different orders of work. They render it possible for us to make the fullest use of our modern "captains of industry" in positions of command. Captains cannot be used without the rank and file who are to be led. If at any time these combinations of capital get too large for efficient and profitable handling, they will fall to pieces; they will resolve themselves into their original constituents. But, so long as they continue to pay, so long as they can be operated with a profit to their owners, so long it is certain that they are giving good service to the community; so long the community should secure them the full protection of the law.

It is hard to conceive of anything more injurious to the well-being of the community than the present wholesale denunciation of "trusts"—meaning thereby our large corporate aggregations of capital. Misappropriation and illegal use of corporate funds we have unfortunately had in large amounts. The remedy for such acts is to be found in pursuing the guilty individuals, according to well-established legal methods. But that course our public prosecutors seem to have carefully avoided. Somewhat singularly, the guilty individuals have usually been large contributors to the party treasuries; and those contributions have frequently constituted the most serious misuses of corporate funds. It may be, that here we have the real reason why we have such a superfluity of sensational declamation about "trusts," coupled with such an absence of prosecutions for clear violations of the law. But there can be no doubt as to the great injury to our

financial and industrial interests, that results from these continuous attacks on our large modern accumulations of capital. Capital must be secure and prosperous, in order to secure the interests of labor. The interests of the two are harmonious. Every capitalist is a laborer. Every laborer is a capitalist. The difference between them is only one of degree. The capitalist and the laborer should cooperate. And everything from high public officials which tends to rouse hostility to capital is a crime against the community.

Especially is this true at the present time. Just at this time, we need industrial peace. We need just now a large increase in our facilities for transportation. We need at once the expenditure of large amounts by our railroads, for track and equipment. Capital is proverbially timid. Investors will be unwilling to advance the many millions, which are now necessary, in order to bring our railroads and other public highways up to the needs of the times. We can command the capital of the world for the development of our means of transportation provided we make its owners feel secure as to investments made in our railroads. If, however, our highest public officials, who should be the protectors of capital, are constantly doing all in their power to arouse against it the prejudices of the ignorant, the injuries done to the community's business interests will be incalculable.

In the corporate abuses which have in recent years so excited the public, capital has not been the real offender. The real offenders have been the men who have misused capital which belonged to others. Capital requires every possible protection, in the hands of corporations as well as of individuals. If there be any difference between the two, more care should be given to the protection of capital in the hands of corporations, than to capital in the hands of individuals. The reason is, that its amount is so much larger, and its misuse so much easier. Especially, our railroads should receive every possible protection, and have every possible security, at the hands of the government. No doubt, they should be under wise governmental supervision. No doubt, there should be a rigid enforcement of the law as to capital's misuse. On the other hand, however, the well-being of the community requires, that capital should have the most complete security, the fullest protection, at the hands of the entire community.

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